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Federal Communications Commission

Accounting and Audits

P.O. Box 358140

Pittsburgh, PA 15251-5140

Re: Joint Petition for Waiver

Ladies and Gentlemen:

Enclosed on behalf of CenturyTel of Northwest Arkansas, LLC and CenturyTel of Central Arkansas, LLC are an original and four copies of a Petition for Waiver of the Definition of "Study Area" Contained in Appendix to Part 36 and Sections 69.3(g)(2) and 61.41(c) of the Commission's rules.

Also enclosed is a Remittance Advice (FCC Form 159) and a check made payable to the Federal Communications Commission in the amount of \$5,960.00 to cover the required filing fee.

In the event there are any questions concerning this matter, please let me know.

Very truly yours,

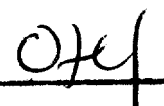


Richard R. Cameron
of LATHAM & WATKINS

Enclosures

cc: Dorothy T. Attwood
Lawrence E. Strickling
Yog Varma
Irene Flannery

No. of Copies rec'd
List A B C D E



Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

In the Matter of)
)
Joint Petition for Waiver of the Definition of)
"Study Area" Contained in the Appendix to Part)
36 of the Commission's Rules (Glossary) of:)
)
CenturyTel of Northwest Arkansas, LLC)
CenturyTel of Central Arkansas, LLC)
)
and)
)
GTE Arkansas Incorporated)
GTE Midwest Incorporated)
GTE Southwest Incorporated)
)
Petition for Waiver of Sections 69.3(g)(2))
and 61.41(c) of the Commission's Rules of:)
CenturyTel of Northwest Arkansas, LLC)
CenturyTel of Central Arkansas, LLC)

CC: 96-45

File No. APD-

JOINT PETITION FOR WAIVER

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GTE MIDWEST INCORPORATED
GTE SOUTHWEST INCORPORATED

January 21, 2000

SUMMARY

In connection with the sale and purchase of local exchange properties described below, CenturyTel of Northwest Arkansas, LLC, and CenturyTel of Central Arkansas, LLC (collectively “CenturyTel”), and GTE Arkansas Incorporated, GTE Midwest Incorporated and GTE Southwest Incorporated. (collectively “GTE”) submit this Joint Petition for Waiver of the Commission’s study area freeze. In addition, CenturyTel requests a waiver of the Commission’s all-or-nothing common line pooling rule and a waiver of the “all-or-nothing” price cap rule so that it may operate the Exchanges under rate-of-return regulation once it acquires them from GTE, a price cap carrier.

CenturyTel is purchasing 105 local exchanges, containing approximately 214,270 access lines, located in Arkansas, Oklahoma and Missouri (the “Exchanges”) from GTE . GTE requests a waiver of the study area boundary freeze in order to delete one of the Exchanges from its current study area and CenturyTel of Central Arkansas, LLC correspondingly requests a waiver to consolidate that Exchange with an existing study area that CenturyTel is purchasing as part of this transaction. The remaining 104 Exchanges, comprising three complete study areas owned by GTE, will be purchased in their entirety and operated by CenturyTel without any other changes in their boundaries.

The companies acquiring the Exchanges, CenturyTel of Northwest Arkansas, LLC, and CenturyTel of Central Arkansas, LLC are wholly-owned subsidiaries of CenturyTel, Inc. CenturyTel, Inc. specializes in providing high-quality, state-of-the-art telecommunications services to mostly high-cost, low-density rural communities in 21 states. CenturyTel, Inc. has provided telephone services in Arkansas for more than 30 years and maintains a division headquarters in Hardy, Arkansas. After the transfer, customers in the Exchanges will have all the services GTE currently provides, plus additional access to voice mail, additional choice in

long distance service providers, local Internet dial-up access, greater access to advanced services, and improved customer and community services. This transaction will speed the introduction of these new services, improve consumer service, and bring consumers the benefit of an experienced service provider devoted to serving rural communities.

Additionally, CenturyTel seeks a waiver of Part 69 of the Commission's rules, to return the 214,270 access lines in the Exchanges to the National Exchange Carrier Association ("NECA") common line pool after their purchase from GTE. This waiver will have no significant impact on the NECA common line pool, and NECA does not object to the waiver. CenturyTel also intends to return the acquired access lines to the NECA traffic sensitive pool.

The proposed purchase and sale is an arms' length transaction between unaffiliated companies. The requested waivers will have no impact on the High-Cost Fund, raise no new issues of law, and will serve the public interest, convenience, and necessity.

TABLE OF CONTENTS

| | |
|---|-----------|
| SUMMARY | i |
| JOINT PETITION FOR WAIVER..... | 1 |
| I. BACKGROUND..... | 3 |
| II. THE COMMISSION SHOULD WAIVE ITS STUDY AREA FREEZE. | 6 |
| A. The Transfer of Exchanges Is an Arms' Length Transaction..... | 6 |
| B. The Three-Prong Test for Evaluating Study Area Waiver Petitions Is Satisfied. | 8 |
| 1. The Request Study Area Waivers Will Not Adversely Affect the USF. | 8 |
| 2. The Arkansas Commission Does Not Oppose the Study Area Waiver. | 10 |
| 3. Granting the Requested Study Area Waivers Will Serve the Public Interest..... | 10 |
| III. THE COMMISSION SHOULD WAIVE ITS PRICE CAP ALL-OR-NOTHING RULE..... | 12 |
| IV. THE COMMISSION SHOULD GRANT A PART 69 WAIVER TO PERMIT THE INCLUSION OF THESE ACCESS LINES IN THE NECA COMMON LINE POOL..... | 15 |
| V. CONCLUSION..... | 20 |
| Map Showing Locations of the Exchanges | Exhibit A |
| List of Exchanges and Number of Access Lines in Each..... | Exhibit B |
| Letter from Gov. Mike Huckabee to Glen F. Post, III, of CenturyTel, Inc. Commending CenturyTel for Continuing Employment of Former GTE Employees..... | Exhibit C |
| Letter from Hon. Tim Hutchinson, United States Senator, to Glen F. Post, III, of CenturyTel, Inc., Commending CenturyTel on Its Investment in Arkansas | Exhibit D |
| Letter from the Arkansas Public Service Commission Indicating Non-Opposition to the Study Area Waiver | Exhibit E |
| Letter From The National Exchange Carrier Association Indicating No Significant Impact On The Common Line Pool | Exhibit F |

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

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|--|---|---------------|
| In the Matter of |) | |
| |) | |
| Joint Petition for Waiver of the Definition of |) | |
| “Study Area” Contained in the Appendix to Part |) | |
| 36 of the Commission’s Rules (Glossary) of: |) | |
| |) | |
| CenturyTel of Northwest Arkansas, LLC |) | |
| CenturyTel of Central Arkansas, LLC |) | |
| |) | |
| and |) | File No. APD- |
| |) | |
| GTE Arkansas Incorporated |) | |
| GTE Midwest Incorporated |) | |
| GTE Southwest Incorporated |) | |
| |) | |
| Petition for Waiver of Sections 69.3(g)(2) |) | |
| and 61.41(c) of the Commission’s Rules of: |) | |
| CenturyTel of Northwest Arkansas, LLC |) | |
| CenturyTel of Central Arkansas, LLC |) | |

JOINT PETITION FOR WAIVER

CenturyTel of Northwest Arkansas, LLC, and CenturyTel of Central Arkansas, LLC (collectively “CenturyTel”) are purchasing 105 local exchanges in Arkansas located in three complete and one partial study areas (the “Exchanges”) from GTE Arkansas Incorporated, GTE Midwest Incorporated and GTE Southwest Incorporated. (collectively “GTE”). CenturyTel and GTE jointly submit this petition for a waiver of the definition of “Study Area” contained in the Appendix to Part 36 of the Commission’s rules (Glossary) to permit CenturyTel to consolidate a single Arkansas exchange purchased as a partial study area with an existing Arkansas study area CenturyTel also is purchasing as part of this transaction, and to permit GTE

to delete this Exchange from its current study area (otherwise located in Missouri).¹ In addition, CenturyTel seeks (i) a waiver of the “all or nothing” price cap rule set forth at 47 C.F.R. § 61.41(c) so that CenturyTel may operate the Exchanges under rate-of-return regulation after it acquires them from GTE, a price cap carrier, and (ii) a waiver of Section 69.3(g)(2) of the rules to permit more than 50,000 lines to reenter the NECA common line pool. CenturyTel also intends to return the access lines in the Exchanges to the NECA traffic sensitive pool.

Related to this Petition, GTE has filed an application under Section 214 of the Communications Act of 1934, as amended (the “Act”),² seeking the Commission’s consent to discontinue providing local exchange service in the Exchanges being acquired by CenturyTel,³ and all applicants are filing applications under Section 310(d) of the Act seeking the Commission’s consent to assign certain microwave and business radio authorizations to CenturyTel. No Commercial Mobile Radio Services (“CMRS”) licenses will be transferred in this transaction and, accordingly, no spectrum cap issues are implicated.

Granting this permission will raise no new issues of law, is supported by Commission precedent, and will serve the public interest. Therefore, GTE and CenturyTel respectfully request that the Commission expeditiously review and approve this Petition and grant the waivers requested therein.

¹ In addition to the lone Exchange, three complete study areas, comprised of the remaining 104 Exchanges, are being purchased by CenturyTel from GTE. CenturyTel intends to continue to operate the Exchanges as three separate study areas, without any other changes to the existing boundaries.

² 47 U.S.C. §§ 214(a).

³ CenturyTel has blanket authority to acquire the interstate facilities included in the Exchanges, therefore only GTE is a party to the §214 application. See Implementation of Section 402(b)(2)(A) of the Telecommunications Act of 1996 and Petition for Forbearance of the Independent Telephone & Telecommunications Alliance, CC Docket No. 97-11, Report and Order and Second Memorandum Opinion and Order, FCC 99-104 (rel. June 30, 1999) (eliminating entry procedures and instituting streamlined exit certification procedures under Section 214).

I. BACKGROUND.

Of the 105 local exchanges CenturyTel is purchasing from GTE,⁴ 104 comprise three complete Arkansas study areas, each under the control of a GTE operating company.⁵ The first two study areas, currently designated Contel of Arkansas ("COAR") and Contel Systems of Arkansas ("COSA"), contain 44 exchanges (with 104,112 access lines), and 11 exchanges (with 21,931 access lines), respectively. These two study areas are operated by GTE Arkansas Incorporated, a wholly-owned subsidiary of GTE Corporation, and will be acquired in their entirety with no change to their boundaries, by CenturyTel of Northwest Arkansas, LLC.⁶

The third complete study area, containing 49 exchanges (with 87,080 access lines), is currently designated GTE of Arkansas ("GTAR") and is controlled by GTE Southwest Incorporated, a wholly owned subsidiary of GTE Corporation. CenturyTel of Central Arkansas, LLC, will acquire this study area.⁷ In addition to these three complete study areas, CenturyTel is purchasing a single Arkansas exchange with 1,147 access lines (the Mammoth Springs exchange). This exchange currently is part of the Contel Missouri study area ("COMO") controlled by GTE Midwest Incorporated. In this petition, GTE seeks a waiver of the Commission's study area freeze to permit it to remove the Mammoth Springs exchange from its current Missouri study area, and CenturyTel of Central Arkansas, LLC correspondingly seeks a waiver to combine the Mammoth Springs exchange with the other 49 Arkansas exchanges it is acquiring as part of this transaction. After the consolidation of the 50 exchanges into one study area, CenturyTel of Central Arkansas, LLC, will continue to keep separate books of account for the Mammoth Springs exchange in order to ensure that, consistent with the Commission's May

⁴ See map attached as Exhibit A.

⁵ See chart summarizing transaction attached as Exhibit B.

⁶ CenturyTel of Northwest Arkansas, LLC, is wholly-owned by CenturyTel, Inc.

⁷ CenturyTel of Central Arkansas, LLC, is also a wholly-owned by CenturyTel, Inc.

8, 1997 Universal Service Order, CenturyTel receives only the same amount of USF support for the Mammoth Springs exchange that GTE received before the transfer.⁸

The Exchanges range in size from 205 to 21,652 access lines.⁹ The sale will include all property and equipment necessary to provide local exchange service within the Exchanges, including approximately 214,270 telephone lines, associated wire centers, switching equipment, and buildings.

Each of the CenturyTel, Inc. subsidiaries participating in this transactions is a newly formed company which will be headquartered in Arkansas. Both CenturyTel of Northwest Arkansas, LLC, and CenturyTel of Central Arkansas, LLC, will be headquartered in Jacksonville, Arkansas. After consummating this transaction, these companies will offer customers in the Exchanges a full-range of telecommunications and information services including local exchange and exchange access, long distance, custom calling features, caller ID, and local Internet dial-up services, and both will have out-of-band Signaling System 7 ("SS7") capability.

CenturyTel, Inc., which is headquartered in Monroe, Louisiana, utilizes state-of-the-art technology to provide integrated communications services including local exchange, exchange access, wireless, long-distance, voice mail, data, local Internet access, call center, and security monitoring services to more than two million customers in 21 states. It currently owns over [600] local exchanges nationwide, very few of which service more than 10,000 access lines. Approximately half of CenturyTel Inc.'s exchanges serve fewer than 1,000 lines. The majority

⁸ Federal-State Joint Board on Universal Service, Report and Order, CC Docket No. 96-45, 12 FCC Rcd 8776, 8943 (1997) ("Universal Service Order") ("[A] carrier making a binding commitment on or after May 7, 1997 to purchase a high-cost exchange should receive the same level of support per line as the seller received prior to the sale.").

⁹ Data as of July 14, 1999. See Exhibit C for a complete list of the Exchanges and the number of access lines in each.

of CenturyTel Inc.'s 1.3 million local telephone lines are located in Wisconsin, Washington, Michigan, Louisiana, Colorado, Ohio, Oregon, and Montana.¹⁰

CenturyTel, Inc. employs more than 230 employees in Arkansas and more than 5,600 employees nationwide. As reflected in the letters of support received from Gov. Mike Huckabee and Sen. Tim Hutchinson of Arkansas, all GTE employees currently working in the Exchanges will be offered jobs with CenturyTel after the acquisition.¹¹ In addition, CenturyTel may add up to 200 new positions in the technical and customer service areas after the acquisition.

The Exchanges involved in this transaction represent virtually all of the wireline local exchange assets GTE operates in the state of Arkansas. GTE Southwest Incorporated, GTE Arkansas Incorporated and GTE Midwest Incorporated are all one-hundred percent owned by GTE Corporation, a New York corporation. Companies controlled by GTE Corporation operate 23.5 million access lines in the U.S. and serve customers in the U.S. and on five continents. GTE Corporation owns companies which provide a full range of communications services, including local exchange and exchange access service, long-distance telephone service, cellular, paging, security monitoring, cable TV, Internet services and more. GTE Corporation has 120,000 employees and more than \$43 billion in assets. In 1998, GTE Corporation announced plans to merge with Bell Atlantic Corporation.¹²

The state of Arkansas has approximately 1.4 million access lines, 14 percent of which are currently owned and operated by GTE, the second largest local exchange carrier ("LEC") in Arkansas. Southwestern Bell Telephone Company is the largest LEC in Arkansas,

¹⁰ Information as of March 31, 1999.

¹¹ See letters attached to this petition as Exhibits C and D.

¹² See Press Release, Bell Atlantic and GTE Agree to Merge, July 28, 1998, available at: <http://www.ba.com/nr/1998/Jul/19980728001.html>.

with approximately 1 million access lines.¹³ After CenturyTel acquires the Exchanges, it will own over 275,000 access lines in Arkansas, or approximately 19 percent of the lines in the state. This transaction will make Arkansas the state with the second-greatest number of access lines served by CenturyTel, Inc., after Wisconsin.

II. THE COMMISSION SHOULD WAIVE ITS STUDY AREA FREEZE.

The Commission should waive its study area freeze to allow GTE to delete the Mammoth Springs exchange from its current Missouri study area and to allow CenturyTel to consolidate this exchange with the existing Arkansas study area CenturyTel is acquiring from GTE of Arkansas, Inc., as part of this transaction. The remaining Exchanges will remain in their existing study areas, the control of which will transfer from GTE to CenturyTel operating companies. The transfer of the Exchanges is an arms' length transaction that fully satisfies the Commission's long-established test regarding such study area waivers. Indeed, granting this Petition raises no new issues of law, is consistent with recently granted waiver requests,¹⁴ and will serve the public interest.

A. The Transfer of Exchanges Is an Arms' Length Transaction.

In 1984, the Commission froze study area boundaries in response to concerns related to the level of interstate cost recovery by local exchange carriers ("LECs") from the Universal Service Fund ("USF"). Specifically, the Commission wanted to prevent LECs from setting up high-cost exchanges within their existing service territories as separate companies in

¹³ Arkansas Incumbent Local Exchange Carrier List, available at <http://www.state.ar.us/psc/ilec99tbl.htm>.

¹⁴ E.g., Petition for Waivers filed by Kendall Telephone, Inc. and Wisconsin Bell, Inc. Concerning Definition of "Study Area" Contained in Part 36 Appendix-Glossary of the Commission's Rules and Section 61.41(c)(2), 69.3(e)(6), and 69.3(g)(2) of the Commission's Rules, Memorandum Opinion and Order, CC Docket No. 96-45 (rel. Sept. 15, 1998) ("Kendall/Wisconsin Study Area Order"); Petition for Waivers Filed by GTE North Inc. and PTI Communications of Michigan, Inc., Memorandum Opinion and Order, 12 FCC Rcd 13,882 (Com. Car. Bur. 1997); Petition for Waivers Filed by Northland Tel. Co. d/b/a/ PTI Communications Inc. and U S West

order to maximize high-cost support.¹⁵ The Commission did not intend, however, to “discourage the acquisition of high-cost exchanges or the expansion of services to cover high-cost areas.”¹⁶

The Common Carrier Bureau (the “Bureau”) repeatedly has recognized that “changes in study areas that result in the purchase or sale of exchanges in arms’ length transactions” do not conflict with the Commission’s “fundamental concerns” behind the freeze order.¹⁷ Indeed, the Commission has acknowledged that “[t]he frozen study area definition does not work well in situations involving . . . arms-length sales of exchanges” and is “burdensome” on both parties and the Commission alike and proposed eliminating the rule.¹⁸ The Commission has recognized that failure to waive the rule in the case of the sale of exchanges would produce an absurd result, forcing the seller to continue to include exchanges in its study area for which it has no costs, and preventing the buyer from including in its study area exchanges it actually serves.¹⁹ Such a result would not serve the Commission’s policy objective of ensuring that carriers’ actual costs are reflected in their accounting so that they can accurately set just, reasonable, and non-discriminatory rates.

GTE’s sale of the Exchanges to CenturyTel is an arms’ length transaction. There is no relationship whatsoever (neither stock ownership nor common directors or management)

Communications, Inc., Memorandum Opinion and Order, 12 FCC Rcd 13,329 (Com. Car. Bur. 1997) (“Northland/Minnesota Study Area Order”).

¹⁵ MTS and WATS Market Structure and Amendment of Part 67 of the Rules and Establishment of a Joint Board, CC Docket Nos. 78-72 and 80-286, 49 Fed. Reg. 48, 325, 48,337 (1984) (“1984 Joint Board Recommendation”). See also U S West Communications, Inc. and Eagle Telecommunications, Inc. Joint Petition for Waiver of the Definition of “Study Area” Contained in Part 36, Appendix – Glossary of the Commission’s Rules, Memorandum Opinion and Order, 10 FCC Rcd 1771, 1773 (1995) (“U S West – Eagle Study Area Order”), recon. denied, 12 FCC Rcd 4644 (1997).

¹⁶ 1984 Joint Board Recommendation, 49 Fed. Reg. at 48, 337.

¹⁷ See, e.g., Contel of the West Petition for Waiver of Section 36.125(f), Sections 36.154(e)(1) and (2), and the Definition of “Study Area” Contained in Part 36, Appendix – Glossary, of the Commission’s Rules, Memorandum Opinion and Order, 5 FCC Rcd 4570, 4571 (Com. Car. Bur. 1990).

¹⁸ Amendment to Part 36 to the Commission’s Rules and Establishment of a Joint Board, Notice of Proposed Rule Making, 5 FCC Rcd 5974, 5975-76 (1990) (“Part 36 NPRM”).

¹⁹ Id. at 5976.

between GTE Corporation or any of its operating companies, on one hand, and CenturyTel, Inc. or any of its operating companies, on the other. Because the applicants are unaffiliated, the sale of the Exchanges falls squarely within the rule amendment proposed by the Commission.²⁰

Allowing GTE to modify its affected study area and CenturyTel to consolidate the Mammoth Springs exchange with an existing study area will relieve unaffiliated parties and the Commission of the effects of a burdensome rule without undercutting the Commission's purpose in freezing study area boundaries. Granting the requested waiver is warranted on this basis alone.

B. The Three-Prong Test for Evaluating Study Area Waiver Petitions Is Satisfied.

The Commission has established a three-prong test to evaluate petitions for study area waivers. Under that test, "the change [should] not adversely affect the USF support program; . . . the state commission having regulatory authority [should] not object to the change; and . . . the public interest [should support] grant of the waiver."²¹ The transfer of the Exchanges from GTE to CenturyTel, and in particular the study area boundary change sought in connection with the sale of the Mammoth Springs exchange, meets each of the requirements of this three-prong test.

1. The Request Study Area Waivers Will Not Adversely Affect the USF.

The Commission has expressed concern over the potential impact of study area waivers related to the sale of exchanges on the size of the Universal Service Fund ("USF").²² To prevent an "undue adverse effect upon the USF," the Commission adopted an indexed cap on the growth rate of the USF and adopted the "one percent rule," under which:

²⁰ Id.

²¹ U S West – Eagle Study Area Order, 10 FCC Rcd at 1772 (footnotes omitted).

²² Id. at 1773.

the transfer at issue and any other transfers involving either carrier . . . may not cause a shift in USF assistance in an amount equal to or greater than one percent of the total USF for the year in which the waiver request is submitted, unless the parties can demonstrate extraordinary public interest considerations that would warrant removal of this condition.²³

The transfer of the Mammoth Springs exchange will have no undue adverse effect on the USF – in fact, it will have no effect on the USF at all. Under the Commission’s May, 1997 Universal Service Order, CenturyTel is entitled to receive only the same amount of USF assistance for the Exchanges that GTE received before the transfer.²⁴ GTE received approximately \$12,112 in annual support from the existing universal service support mechanism for the Mammoth Springs exchange, or \$10.59 per line. Under the existing Part 36 support mechanism, Century Tel expects to receive the same level of support after it acquires the Exchanges, and will maintain separate books of account for the Mammoth Springs exchange to facilitate compliance with this rule. CenturyTel therefore certifies that its acquisition of the Exchanges will not cause a shift in USF assistance in an amount equal to or greater than one percent of the total USF assistance for 1999. Indeed, this transaction will have no impact on the USF at all.²⁵

²³ Id. at 1774; see also Amendment of Part 36 of the Commission’s Rules and Establishment of a Joint Board, Recommended Decision, 9 FCC Rcd 334 (1993) (recommending indexed cap on USF growth); id., Report and Order, 9 FCC Rcd 303 (1993) (adopting indexed cap); Federal-State Joint Board on Universal Service, Recommended Decision, 11 FCC Rcd 7928 (1996) (recommending indexed cap be extended until completion of universal service rulemaking); id., Report and order, 11 FCC Rcd 7920 (1996) (adopting extension of indexed cap).

²⁴ Universal Service Order, 12 FCC Rcd at 8943; see also Petition for Waivers filed by TelAlaska, Inc. and TelHawaii, Inc. Concerning Sections 36.611, 36.612, 61.41(c)(2) and the Definition of “Study Area” Contained in the Part 36 Appendix-Glossary of the Commission’s Rules, Memorandum Opinion and Order, 12 FCC Rcd 10309, 10312 (Com. Car. Bur. 1997) (“TelAlaska/TelHawaii Order”).

²⁵ Eventually, universal service support for all carriers will be based on a forward-looking economic cost methodology, which will allow carriers to receive support for all high-cost exchanges, including exchanges acquired from other carriers, based on the forward-looking cost methodology. Universal Service Order, 12 FCC Rcd at 8943. Because the level of support CenturyTel will receive in the future will be based on forward-looking economic costs rather than embedded costs or the size of its study area, the possibility that CenturyTel may obtain support in the future cannot be, and is not, a driving factor behind the decision to purchase the Exchanges. See id.; see also TelAlaska/TelHawaii Order, 12 FCC Rcd at 10316-17.

2. The Arkansas Commission Does Not Oppose the Study Area Waiver.

The second prong of the test is that the state regulatory agency having authority over the exchanges to be transferred does not object to the requested study area change.²⁶ CenturyTel and GTE have kept the Arkansas Public Service Commission apprised of the proposed sale of the Exchanges and have sought and obtained its consent to the proposed modifications of study area boundaries. The Arkansas Commission has written a letter to the FCC Common Carrier Bureau indicating that it does not oppose the grant of the requested study area waiver for GTE and CenturyTel.²⁷ Therefore, the second prong of the test is satisfied.

3. Granting the Requested Study Area Waivers Will Serve the Public Interest.

The transfer of the Exchanges, including the Mammoth Springs exchange, from GTE to CenturyTel will promote the public interest because it will provide the customers of the Exchanges with additional and improved services from a locally-based carrier that specializes in meeting the communications needs of rural and small urban communities.

Granting the waiver request will enable customers to receive state-of-the-art service that is affordable and responsive to the needs of rural and low-density communities. After the transfer, the Exchanges will be controlled by carriers that are part of the CenturyTel, Inc. family of companies. CenturyTel, Inc., through its subsidiaries, specializes in providing high-quality, state-of-the-art communications services to high-cost, low-density communities.

CenturyTel, Inc. has provided quality telephone service and has been expanding its presence in Arkansas communities for more than 30 years. Historically, CenturyTel, Inc. has maintained a strong local presence in the markets it services. CenturyTel will be able to improve

²⁶ U S West – Eagle Study Area Order, 10 FCC Rcd at 1772.

²⁷ A copy of the letter from the Arkansas Public Service Commission is attached as Exhibit E.

customer service and convenience in the Exchanges by using its proven marketing and bundling experience, existing presence, and expanding Arkansas facilities and personnel base to benefit customers who need information about products and services. In addition, CenturyTel has a long history of commitment to the local communities it serves. In Arkansas, CenturyTel has shown this commitment through its "Century Cares" services, discounted services to schools and libraries, and CenturyTel's "Cyberpatrol" service to protect children using the Internet both at home and school. CenturyTel is an active and supportive community partner and CenturyTel employees largely live and work in the communities they serve.

To date, CenturyTel has invested approximately \$185 million (\$150 million wireline and \$33 million wireless) to bring new and improved services to Arkansas. GTE has invested over \$168 million to upgrade its Arkansas networks, and the Exchanges acquired include 100 percent digital plant with approximately 60 percent xDSL/ADSL broadband capabilities, and more than 1,000 route miles of fiber. Due to the already excellent quality of the facilities to be acquired, CenturyTel intends to provide customers in the Exchanges with additional services such as broader local dial-up Internet access, advanced services, voice mail, and caller ID. Customers in the Exchanges rapidly will begin to enjoy the benefits of these new services and, indeed, but for this transaction, would not have had access to these services as quickly. CenturyTel has a strong UUNet backbone connection to the Internet, and currently offers local, non-toll dial-up access to the Internet in virtually all of its markets. In addition, CenturyTel customers in Montana, Ohio, and Wisconsin already enjoy broadband Internet access using digital subscriber line (DSL) technology.

In addition, this study area waiver will associate the Mammoth Springs exchange with an Arkansas study area, rather than the out-of-state Missouri study area dictated by current

boundaries. Because of a historical anomaly, the Mammoth Springs exchange, although in Arkansas, has had rates calculated based on costs in a study area otherwise located in Missouri. This waiver, therefore, will place rate and service issues affecting Arkansas residents in the Mammoth Springs exchange more directly within the jurisdiction of the Arkansas Commission. In addition, the waiver will reduce the administrative complexity otherwise generated by a study area that encompasses territory in two states.

For the foregoing reasons, the Commission should find that the grant of the requested study area waiver will serve the public interest. The waiver will permit the applicants to consummate a transaction that will produce benefits for consumers and operating efficiencies for the companies, without effect on the high-cost fund.

III. THE COMMISSION SHOULD WAIVE ITS PRICE CAP ALL-OR-NOTHING RULE.

Section 61.41(c)(2) of the Commission's rules, commonly known as the price cap "all-or-nothing" rule, provides that when a non-price cap company acquires a price cap company, or any part thereof, the acquiring company shall become subject to price cap regulation.²⁸ Applying this all-or-nothing rule in this case would subject CenturyTel to price cap regulation because GTE is a price cap company. CenturyTel seeks a waiver of this all-or-nothing rule to permit CenturyTel to operate the Exchanges under rate-of-return regulation. Applying the all-or-nothing rule in this case would not serve any of the purposes for which the rule was adopted and would contradict the public interest.

The Commission adopted the all-or-nothing rule to remove the incentive of a telephone holding company to engage in improper cost-shifting between affiliates, or to "game

²⁸ 47 C.F.R. § 61.41(c)(2).

the system” by switching between rate-of-return and price cap regulation.²⁹ Without the all-or-nothing rule, a LEC could shift its costs from its price cap affiliate to its rate-of-return affiliate. Because the rate-of-return affiliate’s costs would be higher, the Commission reasoned, it would earn more revenue, and charge higher rates, while the revenue of the price cap affiliate would remain unaffected. In addition, the Commission was concerned that, if allowed to convert from price caps to rate-of-return regulation, a LEC might build up a large, inefficient base under rate-of-return regulation and then revert to price caps, cutting its costs to an efficient level without appropriate price reductions. However, in adopting the all-or-nothing rule, the Commission noted that it would entertain waivers of the rule because, “in some cases, the efficiencies created by the purchase and sale of one or two exchanges may outweigh the threat of ‘gaming the system.’”³⁰

There is good cause to grant CenturyTel a waiver of the all-or-nothing rule. Neither of the two concerns cited by the Commission applies here. First, cost-shifting is not an issue because, as discussed above, GTE and CenturyTel are not affiliates, nor does CenturyTel seek to maintain separate affiliates under different systems of rate regulation.³¹ As the Commission held in conjunction with its grant of a price cap waiver in the recent ALLTEL/Aliant merger, “if all [of a company’s] affiliates are subject to rate-of-return regulation, there is neither the incentive nor the opportunity to shift costs between price cap and

²⁹ Policy and Rules Concerning Rates for Dominant Carriers, Second Report and Order, 5 FCC Rcd 6786, 6819 (1990) (“LEC Price Cap Order”), Erratum, 5 FCC Rcd 7664 (Com. Car. Bur. 1990); modified on recon., Order on Reconsideration, 6 FCC Rcd 2637 (1991) (“LEC Price Cap Reconsideration Order”), aff’d sub nom. National Rural Telecom Ass’n v. FCC, 988 F.2d 174 (D.C. Cir. 1993), petitions for further recon. dismissed, 6 FCC Rcd 7482 (1991), further modification on recon., Amendments of Part 69 of the Commission’s Rules Relating to the Creation of Access Charge Subelements for Open Network Architecture, Policy and Rules Concern Rates for Dominant Carriers, Report and Order and Order on Further Reconsideration and Supplemental Notice of Proposed Rulemaking, 6 FCC Rcd 4524 (1991), further recon., Memorandum Opinion and Order on Second Further Reconsideration, 7 FCC Rcd 5235 (1992).

³⁰ LEC Price Cap Reconsideration Order, 6 FCC Rcd at 2706 n.207.

³¹ None of the CenturyTel, Inc. family of companies operates under price cap regulation.

rate-of-return companies.”³² Second, Commission approval would be necessary for the Exchanges to be returned to price cap regulation, and the Commission would have ample opportunity to review such a change at that time.³³ In short, this transaction does not raise any of the concerns that led the Commission to adopt the all-or-nothing rule.

Furthermore, the Commission always has been sensitive to the administrative burdens imposed on small telephone companies, such as CenturyTel, by the application of its rules.³⁴ The Commission implemented price cap regulation as an incentive to encourage efficiencies and promote competitiveness, but it is mandatory only for the Bell Operating Companies and GTE Operating Companies, because those companies share similarities that support the use of price cap regulation – geographic diversity, large subscriber bases, high activity levels in both regulated and unregulated markets, and access to national markets. In its LEC Price Cap Order, the Commission recognized that small telephone companies should not be forced into a regulatory regime that was based on the historical performance of the largest telephone companies, and it therefore made price cap regulation optional for all other companies.³⁵

Following its acquisition of the Exchanges, CenturyTel will have only about 19 percent of the access lines in Arkansas; the Commission has determined that it would be

³² ALLTEL Corp. Petition for Waiver of Section 61.41 of the Commission's Rules and Applications for Transfer of Control, CCB/CPD No. 99-1, Memorandum Opinion and Order, FCC 99-156, ¶ 27 (rel. Sept. 3, 1999) (“ALLTEL/Aliant Merger Order”).

³³ See The Island Telephone Co. et al. Petition for Waiver of the Definition of “Study Area” Contained in Part 36, Appendix – Glossary, of the Commission's Rules, 7 FCC Rcd 6382, 6383 (Com. Car. Bur. 1992) (“Island Study Area Order”) (“Except for the exchanges it has sold to Island/TDS, Contel remains regulated under price caps; it retains no ability to bring these exchanges back under price caps.”).

³⁴ See ALLTEL/Aliant Merger Order, ¶ 34 (“[T]he Commission has always been sensitive to the special needs of the small LECs.”).

³⁵ See LEC Price Cap Order, 5 FCC Rcd at 6818. The Applicants recognize that granting the requested waiver would be conditioned upon GTE's making an exogenous cost adjustment to its price cap indices to reflect the change in its study areas. See LEC Price Cap Performance Review, First Report and Order, 10 FCC Rcd 8961, 9104-06 (1995).

inappropriate to subject this kind of small carrier to price cap regulation.³⁶ Moreover, in balancing the benefits to be gained under price cap regulation against the costs that would be incurred by CenturyTel, the public interest is better served by granting the requested waiver. As a result, the Commission has consistently granted waiver of the all-or-nothing rule in similar circumstances,³⁷ recognizing that it “must take into account the companies’ preference, particularly for small carriers.”³⁸ Here, CenturyTel’s preference is to operate under rate-of-return regulation.

In sum, waiver of the all-or-nothing rule in this instance poses no threat to the Commission’s rate regulation and public interest goals, and will allow the sale of these exchanges to be consummated without forcing CenturyTel into an inappropriate system of price regulation.

IV. THE COMMISSION SHOULD GRANT A PART 69 WAIVER TO PERMIT THE INCLUSION OF THESE ACCESS LINES IN THE NECA COMMON LINE POOL.

CenturyTel also seeks a partial waiver of Section 69.3(g)(2) of the Commission’s rules so that the 214,270 access lines it is acquiring may be included in the NECA common line

³⁶ See, e.g., ALLTEL/Aliant Merger Order, ¶ 35 (granting price cap waiver in spite of the fact that ALLTEL was a “mid-sized” LEC because “ALLTEL’s properties are scattered largely in small to mid-sized towns and cities in 22 states and ALLTEL is therefore, unlike any of the large BOCs, and more similar to smaller carriers”); Northland/Minnesota Study Area Order, 12 FCC Rcd at 13,335 (“Northland is the type of mid-size ILEC which the Commission has found to be an inappropriate candidate for price cap regulation.”).

³⁷ See, e.g., Kendall/Wisconsin Study Area Order, CC Docket No. 96-45; Waivers Filed by Columbine Telephone Company, Inc., Silver Star Telephone Company, Inc., and U S West Communications, Inc. Concerning Section 61.41(c)(2) and 69.3(e)(11) and the Definition of “Study Area” Contained in the Part 36 Appendix-Glossary of the Commission’s Rules, Memorandum Opinion and Order, 12 FCC Rcd 3622 (Com. Car. Bur. 1997); Petitions for Waivers Filed by Alpine Communications, L.C., Bulter-Breme Mutual Telephone Co., Clarksville Telephone Co., Dumont Telephone Co., Grand River Mutual Telephone Corp., Heartland Telecommunications Company of Iowa, Hickory Tech Corp., South Central Communications, Inc., Universal Communications, Inc. and U S West Communications, Inc., Memorandum Opinion and Order, 12 FCC Rcd 2367 (Com. Car. Bur. 1997); U S West – Eagle Study Area Order, 10 FCC Rcd at 1775.

³⁸ Island Study Area Order, 7 FCC Rcd at 6383; see also ALLTEL/Aliant Merger Order, ¶ 35 (“In previous waiver requests, the Common Carrier Bureau has taken into account the company’s preference and in particular the preference of small carriers for waivers of sections 61.41(c)(1), (2), and (d) of our rules.”).

pool. Under Section 69.3(g)(2), a NECA common line tariff participant that is a party to an acquisition may include telephone properties it acquires in the NECA common line tariff, provided that the net addition of common lines to the NECA tariff resulting from the transaction does not exceed 50,000, and provided further that if any of the common lines involved in the acquisition are returned to the NECA common line tariff then all of them must be returned. CenturyTel intends to comply with the second requirement of the rule, but needs a waiver of the 50,000-line cap in order to do so. CenturyTel desires to include all of its newly-acquired access lines in the NECA common line tariff.

Section 69.3(g)(2) was adopted in 1989 as an outgrowth of the changes made by the Commission that year to the (formerly mandatory) common line pooling arrangements that governed the LECs' recovery of non-traffic-sensitive costs.³⁹ When the Commission decided to permit any LEC to withdraw from the NECA common line tariff and pool, and file common line tariffs based on its own costs, the Commission also required that a LEC choosing to leave the NECA common line pool remove *all* of its study areas, and a holding company remove *all* of its affiliates, from the pool. In addition, the Commission made this a "one way" election – once a LEC or group of affiliated LECs leaves the pool, it may not return at a later date.⁴⁰ The Commission recognized, however, that when a LEC acquires another LEC or LEC facilities, the acquired entity may have a different pooling status from that of the acquiring LEC. The Commission acknowledged that uniformity in regulatory treatment and pooling status is

³⁹ Amendment of Part 69 of the Commission's Rules Relating to the Common Line Pool Status of Local Exchange Carriers Involved in Mergers or Acquisitions, Report and Order, 5 FCC Rcd 231 (1989) ("Common Line Pool Order").

⁴⁰ 47 C.F.R. § 69.3(i)(3), (4). See MTS and WATS Market Structure, Amendment of the Commission's Rules and Establishment of a Joint Board, Order on Reconsideration, 3 FCC Rcd 4543, 4557 n.17 (1988), aff'd sub nom. Public Service Comm'n of the District of Columbia v. FCC, 897 F.2d 1168 (D.C. Cir. 1990).

desirable.⁴¹ Accordingly, the Commission found some flexibility should be afforded, with appropriate safeguards, so that LECs would not be unduly deterred from negotiating an otherwise desirable transaction.⁴²

The Commission stated that any rules in this area should be as neutral as possible in terms of their effect on the underlying business decisions, should not adversely affect the marketability of small LECs, and should not impede transactions that offer legitimate advantages to the LECs and consumers involved.⁴³ The Commission noted, “this is an area in which some flexibility would enable the acquiring or surviving LEC to consolidate its operations and to take advantage of the benefits of participation in the NECA common line pool and tariff if that is deemed best for the LEC and its customers.”⁴⁴ Accordingly, the Commission set the threshold for a waiver at 50,000 access lines.⁴⁵

GTE withdrew the Exchanges from the NECA common line pool on April 1, 1989. The Commission has acknowledged that carriers that left the pool did so based on factors that made sense for them, such as the fact that their costs have declined sufficiently that they could forego long-term support (“LTS”), recover their costs, and still charge a lower interstate carrier common line charge than NECA.⁴⁶ That choice was appropriate for GTE. It is not appropriate, however, for CenturyTel, and should not be used to bar CenturyTel from returning these lines to the NECA common line pool. As the Commission has acknowledged, the rule

⁴¹ Common Line Pool Order, 5 FCC Rcd at 245.

⁴² Common Line Pool Order, 5 FCC Rcd at 235 (citing Amendment of Part 69 of the Commission’s Rules Relating to the Common Line Pool Status of Local Exchange Carriers Involved in Mergers or Acquisitions, Notice of Proposed Rule Making, 4 FCC Rcd 740 (1989) (“Common Line Pool Notice”).

⁴³ Common Line Pool Order, 5 FCC Rcd at 233; Common Line Pool Notice, 4 FCC Rcd at 741.

⁴⁴ Common Line Pool Order, 5 FCC Rcd at 243.

⁴⁵ Id. at 244.

⁴⁶ Federal-State Joint Board on Universal Service, Fourth Order on Reconsideration, 13 FCC Rcd 5318, 5362 (1997).

should not operate to impede a transaction that offers legitimate advantages, described above, to the carriers and consumers involved.

The reentry of the Exchanges into the common line pool will have no substantial adverse effect on the NECA common line pool, or on non-pooling LECs. Since the Commission established the waiver standard in the Common Line Pool Order⁴⁷, the burden of long-term support and transitional support for common line pool LECs has shifted from the non-pooling LECs to a far broader spectrum of telecommunications providers. Beginning January 1, 1998, support for rural carriers is funded, and rural carriers receive payments comparable to long-term support, through the newly-explicit universal service support mechanism, adopted by the Commission as part of its implementation of Section 254 of the Act.⁴⁸ Thus, the non-pooling LECs will bear no special burden because of the return of these Exchanges into the common line pool. Moreover, CenturyTel believes that no entity will experience a significant increase in its universal service obligation if this waiver is granted, because the impact on the revenue requirement for the NECA common line pool is expected to be insignificant. Specifically, CenturyTel believes that, based on current NECA pooling data and projected demand and cost data, CenturyTel's acquisition of the Exchanges would produce only a *de minimis* impact on the common line pool revenue requirement. CenturyTel has informed NECA of its intent to return these lines to the common line pool, and NECA has analyzed the potential common line pool impact due to the acquired Arkansas study areas reentering the pool. NECA concurs in CenturyTel's assessment. In particular, NECA has advised CenturyTel in writing that it anticipates that the net impact on the pool will be insignificant and will cause a change of less

⁴⁷ Id.

⁴⁸ Universal Service Order, 12 FCC Rcd at 9165.

than one percent in the overall common line pool revenue requirement.⁴⁹ Therefore, a waiver of the 50,000-line cap set forth in Section 69.3(g)(2) of the Commission's rules should be granted.


⁴⁹ See Letter from Bill Cook, Manager, Rates and New Services Development, to Marvin Cunningham, Jr., Vice President – Revenue and External Affairs, CenturyTel, Inc., dated January 17, 2000 (attached as Exhibit F).

CONCLUSION

For all of the foregoing reasons, CenturyTel and GTE respectfully request that the requested waivers be expeditiously granted.

Respectfully submitted,

CENTURYTEL OF NORTHWEST ARKANSAS, LLC
CENTURYTEL OF CENTRAL ARKANSAS, LLC

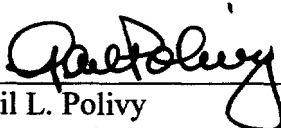
By: 
John F. Jones
Director of Government Relations
CenturyTel, Inc.
100 Century Park Drive
Monroe, Louisiana 71203

Karen Brinkmann
Richard R. Cameron
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Latham & Watkins
1001 Pennsylvania Avenue, N.W.
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Attorneys for:
CENTURYTEL OF NORTHWEST ARKANSAS, LLC
CENTURYTEL OF CENTRAL ARKANSAS, LLC

Respectfully submitted,

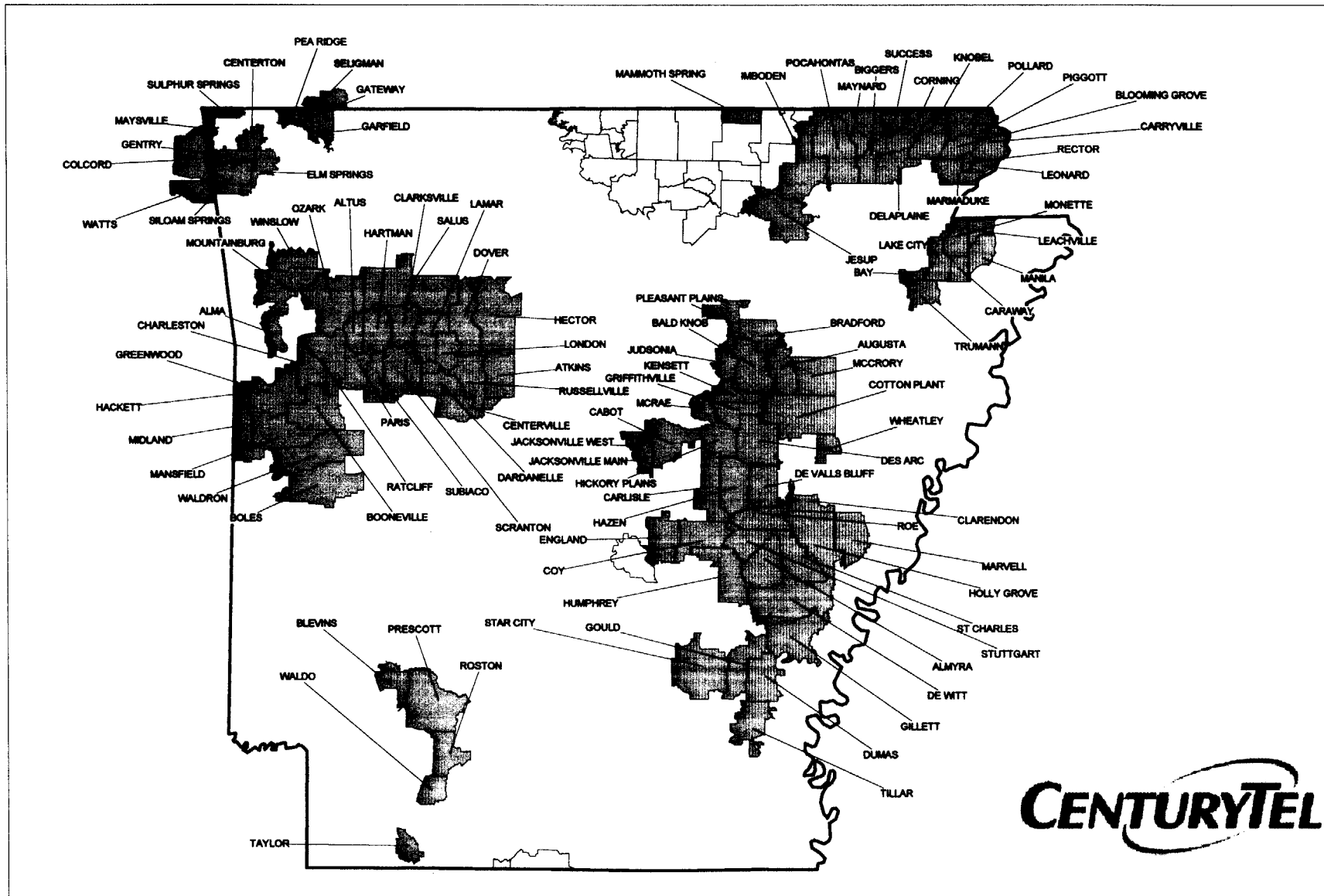
GTE ARKANSAS INCORPORATED
GTE MIDWEST INCORPORATED
GTE SOUTHWEST INCORPORATED

By: 
Gail L. Polivy
GTE Service Corporation
1850 M Street, N.W., Suite 1200
Washington, D.C. 20036
(202) 463-5214

Attorney for:
GTE ARKANSAS INCORPORATED
GTE MIDWEST INCORPORATED
GTE SOUTHWEST INCORPORATED

EXHIBIT A: MAP SHOWING LOCATIONS OF THE EXCHANGES

ARKANSAS TRANSACTION



GTE Exchanges to Be Purchased



CenturyTel's Existing Exchanges

CENTURYTEL

EXHIBIT B: LIST OF EXCHANGES AND NUMBER OF ACCESS LINES IN EACH

**EXCHANGES PURCHASED BY CENTURYTEL OF NORTHWEST ARKANSAS, LLC
(COMPLETE COAR STUDY AREA)**

| <u>Office Name</u> | <u>1998 Access Lines</u> | |
|---|---------------------------------|--|
| Alma | 4,640 | |
| Altus | 792 | |
| Bald Knob | 3,071 | |
| Boles | 483 | |
| Booneville | 3,580 | |
| Centerton | 1,638 | |
| Centerville | 762 | |
| Charleston | 2,069 | |
| Clarksville | 6,864 | |
| Colcord | 855 | Oklahoma exchange |
| Dardanelle | 3,789 | |
| Dover | 2,466 | |
| Dumas | 3,591 | |
| Elm Springs | 1,851 | |
| Garfield | 1,172 | |
| Gateway | 380 | |
| Gentry | 2,719 | |
| Gould | 683 | |
| Greenwood | 5,665 | |
| Hackett | 1,149 | |
| Hartman | 1,200 | |
| Hazen | 1,230 | |
| Hector | 1,028 | |
| Lamar | 2,036 | |
| London | 876 | |
| Mansfield | 1,988 | |
| Maysville | 371 | |
| Midland | 999 | |
| Mountainburg | 1,561 | |
| Ozark | 4,496 | |
| Paris | 3,346 | |
| Pea Ridge | 2,375 | |
| Pleasant Plains | 1,027 | |
| Ratcliff | 770 | |
| Russellville | 21,652 | |
| Salus | 464 | |
| Scranton | 1,271 | |
| Seligman\Jacket | 619 | Missouri exchange (1 exchange two names) |
| Star City | 3,096 | |
| Subiaco | 446 | |
| Sulphur Springs | 378 | |
| Tillar | 582 | |
| Waldron | 3,304 | |
| Winslow | 778 | |
| Total CenturyTel of Russellville | 104,112 | |

**EXCHANGES PURCHASED BY
CENTURYTEL OF NORTHWEST ARKANSAS, LLC
(COMPLETE COSA STUDY AREA)**

| <u>OFFICE NAME</u> | <u>1998 ACCESS LINES</u> | |
|---|--------------------------|-------------------|
| Bay | 799 | |
| Caraway | 818 | |
| Clarendon | 1,084 | |
| Holly Grove | 883 | |
| Lake City | 1,115 | |
| Leachville | 1,067 | |
| Manila | 1,773 | |
| Monette | 1,196 | |
| Siloam Springs | 8,002 | |
| Trumann | 3,857 | |
| Watts | 1,337 | Oklahoma exchange |
| Total CenturyTel of Siloam Springs | 21,931 | |

**EXCHANGES PURCHASED BY
CENTURYTEL OF CENTRAL ARKANSAS, LLC
(GTAR STUDY AREA EXCEPT WHERE NOTED)**

| <u>Exchange Name</u> | <u>1998 Access Lines</u> |
|----------------------|---|
| Almyra | 205 |
| Atkins | 2,579 |
| Augusta | 1,509 |
| Biggers-Reyno | 405 |
| Blevins | 453 |
| Blooming Grove | 404 |
| Bradford | 1,125 |
| Cabot | 12,032 |
| Carlisle | 1,526 |
| Carryville | 341 |
| Corning | 2,116 |
| Cotton Plant | 600 |
| Coy-Humnoke | 450 |
| Delaplaine | 359 |
| Des Arc | 1,372 |
| Devalls Bluff | 860 |
| Dewitt | 2,880 |
| England | 2,034 |
| Gillett | 653 |
| Griffithville | 317 |
| Hickory Plains | 285 |
| Humphrey | 537 |
| Imboden | 1,423 |
| Jacksonville Main | 10,988 |
| Jacksonville West | 4,055 |
| Jesup | 1,264 |
| Judsonia | 2,259 |
| Kensett | 1,377 |
| Knobel-Mcdougal | 558 |
| Leonard | 225 |
| Little Rock AFB | 3,022 (Shown with Jacksonville West on the map) |
| Marmaduke | 807 |
| Marvell | 1,456 |
| Maynard | 1,150 |
| Mccrory | 1,592 |
| Mcrae | 686 |
| Piggott | 2,425 |
| Pocahontas | 5,818 |
| Pollard | 440 |
| Prescott | 3,365 |
| Rector | 1,148 |
| Roe-Ulm | 661 |
| Rosston-Waterloo | 423 |

| <u>Exchange Name</u> | <u>1998 Access Lines</u> |
|--|--|
| St. Charles | 327 |
| Stuttgart | 6,074 |
| Success | 334 |
| Taylor | 739 |
| Waldo | 1,119 |
| Wheatley | 303 |
| Total Arkansas (GTAR Study Area) | <u>87,080</u> |
| Mammoth Springs | 1147 Purchased from GTE Midwest Incorporated Part of COMO Study Area |
| Total CenturyTel of Central Arkansas, LLC | <u>88,227</u> |

**EXHIBIT C: LETTER FROM GOV. MIKE HUCKABEE TO GLEN F. POST, III, OF
CENTURYTEL, INC., COMMENDING CENTURYTEL FOR
CONTINUING EMPLOYMENT OF FORMER GTE EMPLOYEES**



STATE OF ARKANSAS
OFFICE OF THE GOVERNOR

*State Capitol
Little Rock 72201*

Mike Huckabee
Governor

July 6, 1999

Mr. Glen F. Post, III
CenturyTel, Inc.
P.O. Box 4065
Monroe, LA 71211-4065

Dear Glen:

Thank you for your recent letter concerning CenturyTel's purchase of GTE's local exchange assets in Arkansas. Your company's tremendous investment in the State of Arkansas and its people reflects the robust progress Arkansas' economy has made in recent years. I look forward to working with you and the rest of your company's employees to continue the economic growth our state has experienced, so that we can preserve Arkansas' status as one of the best states in the country in which to live and work.

I am pleased that CenturyTel is endeavoring to minimize the impact of this sale on GTE's current employees in Arkansas. Because of your company's current operations in our state, I am confident you are already familiar with the solid work ethic of our Arkansas citizens, and I know that these 300 Arkansas employees being added to your company by this transaction will do you proud.

Again, thank you for taking the time to write. Should you have any questions or require any assistance from this office, please feel free to contact Mark White, my Regulatory Liaison, at (501) 682-3669.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Mike Huckabee", written in a cursive style.

Mike Huckabee

MH:mw

**EXHIBIT D: LETTER FROM HON. TIM HUTCHINSON, UNITED STATES
SENATOR, TO GLEN F. POST, III, OF CENTURYTEL, INC.,
COMMENDING CENTURYTEL ON ITS INVESTMENT IN ARKANSAS**

TIM HUTCHINSON
ARKANSAS

COMMITTEES:
ENVIRONMENT AND PUBLIC WORKS
LABOR AND HUMAN RESOURCES
VETERANS' AFFAIRS

United States Senate

WASHINGTON, DC 20510-0403

WASHINGTON OFFICE:
245 DIRKSEN SENATE OFFICE BUILDING
WASHINGTON, DC 20510
(202) 224-2353

STATE OFFICES:
2527 FEDERAL BUILDING
LITTLE ROCK, AR 72201
(501) 324-6336
120 FEDERAL BUILDING
JONESBORO, AR 72401
(870) 935-5022

July 30, 1999

Mr. Glen F. Post, III
CenturyTel, Inc.
P.O. Box 4065
Monroe, Louisiana 71211-4065

Dear Mr. Post:

Thank you for contacting me to inform me of your company's recent expansion into Arkansas. I appreciate this opportunity to familiarize myself with your company's goals.

The telecommunications industry is one of the most exciting and rapidly growing industries in our country today. It has been one of the driving forces behind our nation's current economic prosperity. I support CenturyTel's efforts to expand into our state and eagerly anticipate the new employment opportunities in the field of telecommunications that your company will provide for Arkansans.

Once again, thank you informing me of your company's progress. If I can be of assistance in the future, please do not hesitate to let me know.

With kind regards,

Sincerely,



Tim Hutchinson
United States Senator

TH:mz

**EXHIBIT E: LETTER FROM THE ARKANSAS PUBLIC SERVICE COMMISSION
INDICATING NON-OPPOSITION TO THE STUDY AREA WAIVER**

Jim von Gremp
Chairman
(501) 682-1455

Sam I. Bratton, Jr.
Commissioner
(501) 682-1453

Betty C. Dickey
Commissioner
(501) 682-1451

**ARKANSAS
PUBLIC SERVICE COMMISSION**
1000 Center
P.O. Box 400
Little Rock, Arkansas 72203-0400
Fax (501) 682-5731
<http://www.state.ar.us/psc>



D. David Slaton
Chief of
Commissioners' Staff
(501) 682-1792

December 13, 1999

Lawrence E. Strickling,
Chief, Common Carrier Bureau
Federal Communications Commission
445 12th Street SW
Washington, DC 20554

RE: GTE/CenturyTel Request for Study Area Waiver in Arkansas

Dear Mr. Strickling:

The Arkansas Public Service Commission (APSC) submits this letter in anticipation of the filing of a joint petition for waiver of study area boundary by GTE Midwest and CenturyTel of Central Arkansas, LLC arising from the sale and purchase of the Mammoth Springs exchange in Arkansas. The sale and purchase is part of a transaction where CenturyTel, Inc., through its subsidiaries CenturyTel of Northwest Arkansas, LLC and CenturyTel of Central Arkansas, LLC will acquire 103 local exchanges from GTE and three of its subsidiaries; GTE Southwest, Inc., GTE Arkansas, Inc., and GTE Midwest, Inc. The Mammoth Springs exchange is currently part of the GTE Midwest study area referred to as the Contel Missouri study area.

Pursuant to the Common Carrier Bureau's order issued June 21, 1995, in Dockets DA 95-1403 and AAD 95-78, local exchange carriers are required to file with the Federal Communications Commission (FCC) as part of any petition for a waiver of a study area boundary, a state certificate or other valid document that demonstrates that the affected state commission does not object to a proposed reconfiguration of study area boundaries.

This letter is written to confirm that the Arkansas Public Service Commission does not object to the granting of a study area waiver associated with the Mammoth Springs local exchange. The entire transaction involving transfer of all 103 exchanges including Mammoth Springs from GTE to CenturyTel is currently under consideration by the APSC in Docket No. 99-220-U. Granting of the study area waiver will not prejudice the APSC's deliberations in its review of the transaction; however, the APSC reserves the right to review the issue further and to taken any appropriate

Lawrence E. Strickling
December 13, 1999
Page -2-

measures necessary to ensure that the waiver of the study area rules does not adversely affect the public interest in Arkansas or detrimentally affect the APSC's intrastate policies.

It is the APSC's intent that this statement be accepted as compliance with the requirement set forth in the Common Carrier Bureau's order issued June 21, 1995 (DA 95-1403 and AAD 95-78) thereby clearing the way for filing of the joint petition for waiver of the study area boundary. Questions or comments may be directed to me at the Arkansas Public Service Commission.

Sincerely,



Samuel C. Loudenslager, Director
Research and Policy Development

cc: Jim von Gremp, Chairman
Sam I. Bratton, Commissioner
Betty C. Dickey, Commissioner

**EXHIBIT F: LETTER FROM THE NATIONAL EXCHANGE CARRIER
ASSOCIATION INDICATING NO SIGNIFICANT IMPACT ON THE
COMMON LINE POOL**

NECA NATIONAL EXCHANGE
CARRIER ASSOCIATION

80 S. JEFFERSON RD.,
WHIPPANY NEW JERSEY 07981
(973) 884-8077

BILL COOK
MANAGER
RATES AND NEW SERVICES DEVELOPMENT

January 17, 2000

Marvin Cunningham, Jr.
Vice President - Revenue & External Affairs
100 Century Park Blvd.
Monroe, LA 71203

Dear Mr. Cunningham:

I completed a NECA Common Line Pool impact analysis of the GTF properties recently acquired by Century in Arkansas. The results are based on current pooling data and the acquisition demand and costs data supplied by Century.

The acquisition of approximately 212 thousand access lines will have costs that exceed their projected revenue by about \$10.4 million, which represents 0.76% of the total common line pool revenue requirement (\$1.37 billion). Since this represents less than one percent of the total revenue requirement, it is not considered a significant impact.

Please call me if you have any questions or concerns on this analysis

Sincerely,



cc: K. Brinkman, Latham & Watkins
P. Chirico